

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11 IO-13
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TO SECSTATE WASHDC 0364
INFO AMEMBASSY HELSINKI

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E.O. 11652: N/A
TAGS: GATT EFIN FI
SUBJECT: GATT--BALANCE OF PAYMENTS CONSULTATIONS--FINLAND

REFERENCE: GENEVA 8144

1. SUMMARY: BOP COMMITTEE REPORT SAYS FINNISH RESTRAINTS WON'T BE JUSTIFIED IF BOP SITUATION CONTINUES TO IMPROVE. COMMITTEE ALSO HAD INCONCLUSIVE DISCUSSION ON DISCRIMINATORY ASPECTS OF RESTRAINTS. END SUMMARY.
2. GATT BOP COMMITTEE, IN ADOPTING REPORT ON CONSULTATIONS WITH FINLAND, AGREED THAT FINNS SHOULD PHASE OUT REMAINING RESTRICTIONS. WHILE NOT WILLING TO REMOVE GATT ARTICLE XII COVER FOR REMAINING RESTRICTIONS, COMMITTEE DID MAKE IT CLEAR THAT RESTRICTIONS WOULD NO LONGER BE WARRANTED UNDER

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ARTICLE XII IF FINNISH BOP SITUATION CONTINUES HEALTHY.
CONCLUSIONS OF COMMITTEE WERE:

QTE THE COMMITTEE WELCOMED THE MARKED IMPROVEMENT IN FINLAND'S BALANCE-OF-PAYMENTS AND RESERVE POSITION, AND ALSO THE FURTHER IMPROVEMENT THAT WAS EXPECTED IN 1978. IT QUESTIONED WHETHER THE EXISTING LEVEL OF TRADE RESTRIC-

TIONS WOULD CONTINUE TO BE WARRANTED ON BALANCE-OF-PAYMENTS GROUNDS SHOULD THE FAVOURABLE TREND BE MAINTAINED. IT THEREFORE RECOMMENDED THAT FINLAND INITIATE THE PROCESS OF RELAXATION OF ITS IMPORT RESTRICTIONS IN PARALLEL WITH THE STRENGTHENING OF ITS EXTERNAL POSITION.

QTE THE COMMITTEE NOTED THAT THE COVERAGE OF THE CASH PAYMENT SCHEME HAD BEEN REDUCED AND INVITED THE FINNISH AUTHORITIES TO FURTHER RELAX THIS MEASURE WHICH, THOUGH PRIMARILY OF A MONETARY NATURE, COULD BE DETRIMENTAL TO TRADE BY ITS POSSIBLE IMPORT SUBSTITUTION EFFECTS. UNQTE.

3. QUESTION OF DISCRIMINATORY ASPECT OF FINNISH RESTRAINTS LED TO MOST INTERESTING DEBATE OF SESSION. FINNS ADMITTED DISCRIMINATORY ASPECT BUT POINTED OUT THAT ONLY A SMALL NUMBER OF PRODUCTS COVERED BY ITS "FREE TRADE" AGREEMENTS ARE UNDER QUOTA OR INDIVIDUAL LICENSING. THEREFORE THE DISCRIMINATORY IMPACT IS MINIMAL. WE POINTED OUT THAT FINNISH INTERPRETATION OF ARTICLE XXIV MEANT THAT THE POTENTIAL SCOPE FOR DISCRIMINATION WAS LARGE IF THE BOP SITUATION SHOULD AT SOME POINT REQUIRE RESTRAINTS ON A WIDER RANGE OF PRODUCTS. FINNS WITH EC SUPPORT BLOCKED OUR ATTEMPT TO OBTAIN A COMMITTEE CONCLUSION THAT DISCRIMINATORY ASPECT OF RESTRAINTS WAS CONTRARY TO ARTICLE XII. AFTER POINTING OUT THE PRACTICAL ABSURDITY OF THE EC AND FINNISH POSITION (E.G. HOW CAN A COUNTRY PROTECT ITS BALANCE OF LIMITED OFFICIAL USE

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PAYMENTS WHEN IT SAYS IT CAN EXEMPT IMPORTS FROM COUNTRIES ACCOUNTING FOR THE MAJOR PERCENTAGE OF ITS IMPORTS), NOTING THAT NOTHING IN THE PREFERENTIAL AGREEMENTS PREVENTED NONDISCRIMINATORY APPLICATION OF ARTICLE XII (INDEED FRANCE IN 1968 AND ITALY IN 1963-67 HAD APPLIED BOP RESTRAINTS IN A NON-DISCRIMINATORY MANNER), WE SAID THAT EC/FINNISH INTERPRETATION MEANT THAT THERE WERE ACTUALLY THREE SETS OF RULES AND PROCEDURES, ONE FOR THE DEVELOPING COUNTRIES, ONE FOR EUROPEAN PREFERENTIAL BLOCK AND ONE FOR THE FEW REMAINING STATES (CANADA, US, JAPAN, AUSTRALIA, A PROPOSITION WE COULD NOT ACCEPT. WE FINALLY AGREED ON FOLLOWING NEGOTIATED PARAGRAPH IN THE REPORT.

QTE. MEMBERS OF THE COMMITTEE ASKED FOR CLARIFICATION ON THE APPLICABILITY OF THE GLOBAL QUOTA AND INDIVIDUAL LICENSING REGIME TO IMPORTS FROM OTHER THAN THE MULTILATERAL AREA; IN PARTICULAR WHETHER GLOBAL QUOTAS AND INDIVIDUAL LICENSING APPLIED TO THE NON-MULTILATERAL AREA. IF THIS WERE NOT THE CASE, IT WOULD BE A DISCRIMINATION IN FAVOUR OF NON-MULTILATERAL COUNTRIES AND INCOMPATIBLE WITH THE PROVISIONS OF GATT ARTICLES XII AND XIII. THE REPRESENTATIVE OF FINLAND STATED THAT GLOBAL QUOTAS AND INDIVIDUAL LICENSING

APPLIED TO IMPORTS BOTH FROM THE MULTILATERAL AND THE NON-MULTILATERAL AREA. THE ONLY EXCEPTIONS WERE THOSE INCLUDED IN FREE TRADE AGREEMENTS, AND COVERED LESS THAN A DOZEN TARIFF POSITIONS. HE ALSO POINTED OUT THAT IMPORTS OF THESE ITEMS FROM THE SOCIALIST COUNTRIES AMOUNTED TO LESS THAN ONE PER CENT OF TOTAL IMPORTS FROM THESE COUNTRIES. SOME MEMBERS OF THE COMMITTEE SAID THAT, SHOULD THE FINNISH AUTHORITIES ADD MORE PRODUCTS, INCLUDED IN THEIR FREE-TRADE AGREEMENTS, TO THE LIST OF ITEMS COVERED BY GLOBAL QUOTAS OR INDIVIDUAL LICENCES, THE DISCRIMINATORY ASPECT OF THESE RESTRICTIONS WOULD INCREASE. THEY POINTED OUT THAT APPLICATION OF BALANCE-OF-PAYMENTS MEASURES UNDER ARTICLE XII HAD TO BE NON-DISCRIMINATORY, ACCORDING TO THE PROVISIONS

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CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
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OF ARTICLE XIII, AND THAT EXCEPTIONS TO NON-DISCRIMINATORY ADMINISTRATION OF TRADE RESTRICTIONS WERE GOVERNED BY ARTICLE XIV. AGREEMENTS ENTERED INTO UNDER ARTICLE XXIV DID NOT CONSTITUTE ENTITLEMENT TO EXEMPTION FROM RESTRICTIONS TAKEN ON BALANCE-OF-PAYMENTS GROUNDS UNDER ARTICLE XII. THE REPRESENTATIVE OF FINLAND EXPLAINED THAT FINLAND HAD NEITHER ADDED NEW PRODUCTS TO THE LIST OF ITEMS COVERED BY GLOBAL QUOTAS OR INDIVIDUAL LICENSING, NOR INTENDED TO DO SO IN THE FUTURE. HOWEVER, SHOULD SUCH A CASE ARISE, THE

MATTER WOULD HAVE TO BE STUDIED UNDER THE RELEVANT PROVISIONS OF THE FREE TRADE AGREEMENTS CONCERNED AND THE DECISIONS WOULD BE MADE ACCORDINGLY. HENCE, THERE WAS NO AUTOMATICITY ABOUT THE EXEMPTIONS FROM THE GLOBAL QUOTA AND INDIVIDUAL LICENSING REQUIREMENTS WITH RESPECT TO FREE TRADE AGREEMENTS. THE REPRESENTATIVE OF FINLAND POINTED OUT THAT RECENT AGREEMENTS WITH SOME SOCIALIST COUNTRIES LIMITED OFFICIAL USE

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WERE BEING EXAMINED IN THE GATT IN THE LIGHT OF ARTICLE XXIV. HE TOOK NOTE OF THE VIEWS EXPRESSED BY SOME MEMBERS OF THE COMMITTEE REGARDING THE RELATIONSHIP AS STATED BETWEEN THE PROVISIONS OF ARTICLE XII AND XXIV, BUT EMPHASIZED THAT VIEWS ON THE RELATIONSHIP WERE DIVERGENT AND THAT THE ISSUE HAD NOT BEEN SETTLED IN THE GATT. VANDEN HEUVEL

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